Baillie Gifford Multi Asset Growth B1 Acc

November 2023

Opinion	Performance	Risks	Costs	Responsible
Square Mile rating: A	3 years annualised returns: -2.34%	Risk of asset class: 3 (scale 1–10)	Ongoing charges: 0.70%	What type of investor are you?
	% of time met performance objective over 5 years: 39.4%	Risk of fund within asset class: 5 (scale 1–5)	Transaction costs: 0.50%	Ethical Exclusion
		-20.69% 3 years max drawdown	Total cost of investment: 1.20%	Sustainable Solutions
				Responsible Practices
				Impact Investor

Source: Square Mile and Refinitiv, Data as at: 30th November 2023.

Overview

The fund aims to deliver capital growth to investors by investing in a diversified multi-asset portfolio. Over the medium to long term the team are looking to provide a return ahead of base rates by 3.5% (net of fees). They look to do this with a lower level of risk than equities. In practice, this is expected to be in the region of a half to two-thirds of equity risk.

Square Mile's Expected Outcome

We believe the fund should be able to provide a return of 3.5% p.a. ahead of UK base rates (net of fees) over rolling five year periods.

Square Mile's Opinion

This is a diversified growth fund offering long-term investors access to an actively managed multi-asset portfolio. It is flexible and relatively unconstrained in its approach with the managers focusing on meeting their UK base rate plus 3.5% (net of fees) objective. It aims to do this with a volatility of less than 10% per annum over rolling 5-year periods. It is not managed relative to any peer group of funds and the focus here is on delivering this objective over the long term.

The fund benefits from a relatively stable, credible and experienced multi-asset team headed by James Squires. The team also utilise the wider resources of the group, not least as the fund invests into underlying Baillie Gifford fund strategies for some of its asset class exposure. The team have demonstrated their heritage in managing diversified growth strategies since 2008 when they launched their flagship Diversified Growth fund. While many diversified growth funds have delivered a disappointing return profile in a period of strong returns from most asset classes, Baillie Gifford have a long-term record that demonstrates they have met their objectives for investors. This newer, sister strategy feeds off the same investment process and there is a high commonality of holdings in both strategies. We think that the right structure is in place for the Multi-Asset Growth fund to be run in a similar manner and to generate similar long-term results.

Fund Manager's Formal Objective

The fund aims to achieve (after deduction of costs), an annualised return over rolling five-year periods that is 3.5% more than UK Base Rate, a positive return over rolling three-year periods and annualised volatility of returns over rolling five-year periods that is below 10%.

Outcome: Capital Accumulation	**Domicile:** UK
Active/Passive: -	**Benchmark:** None Stated
Asset Class: Multi Asset	**IA Sector:** IA Targeted Absolute Return
Yield: 1.41%	**Fund size:** £793 M
Fund Manager: Felix Amoako- Kwarteng, James Squires, Nicoleta Dumitru, Scott Lothian	**Distribution Pay Date:** February, August
Fund Price: 1.1 Pounds	**Dividend Frequency:** Semi-annual
Currency of Share Class: GBP	**Share Class Launch Date:** 08/12/2015

Source: Square Mile and Refinitiv, Data as at: 30th November 2023

Asset Manager Overview

Baillie Gifford is an investment management business headquartered in Edinburgh. It was established as an investment management partnership over 100 years ago. The business remains a partnership structure and therefore it is wholly owned by its c.40 partners. Over the years this structure has allowed the firm to recruit and retain some of the best talent in the industry. It offers a range of investment strategies across regions and asset classes including equities, fixed income and multi-asset portfolios. The strategies managed by the various teams all share a common philosophy of being long term in their approach and within equities the team's focus is on companies which can sustain growth as they believe this leads to higher share prices over time.

The team behind this offering are in our view one of its main attractions. James Squires leads the team and is a Partner at Baillie Gifford. He helped to launch the flagship Diversified Growth strategy in 2008. As well as the multi-asset team, the fund benefits from an internal review committee who help to provide challenge and oversight for the fund. The committee consists of the most senior members of the multi-asset and fixed income teams as well as the risk team. We also like the partnership structure of the group which brings stability and individual accountability to Partners of the firm, as well as a structure that aligns itself well to the long-term objectives of its clients.

The investment process is research intensive and begins with the multi-asset team undertaking fundamental research which culminates in a set of forecasts for long-term asset class returns as well as correlation analysis. These forecasts are updated on a six monthly basis and published for transparency. These forecasts influence the way the portfolio is structured and provide guidelines for portfolio construction. Decisions by the team on what to hold in the portfolio are set against this framework but their near and medium-term outlook for financial markets, economic activity and a view on asset class valuation form the current portfolio. The team believe that asset classes become periodically over and undervalued relative to their long-term expectations and they look to take advantage of this. Scenario analysis is an important part of the investment process. It ensures the discipline of considering the potential return of asset classes is not only embedded in their base case, but also in circumstances considered less likely.

The portfolio is constructed to meet the fund's absolute objective and there is no strategic benchmark against which relative positions are taken. The asset class universe for the fund is broad and is split into those that are expected to deliver a higher return and those that are lower return or safe haven assets. Higher return assets are listed equities, property, infrastructure, emerging market bonds and high yield credit. Lower return assets are gold, investment grade credit, developed market government bonds, index linked bonds and cash. Equity exposure is limited to 40% of the portfolio but this doesn't mean that the fund can't take meaningful risk positions. Indeed in 2018, the fund was carrying a 20% allocation to emerging market bonds. Implementation of asset class views is flexible and the team focus on finding the cheapest and most efficient way of accessing sources of return. This can include Baillie Gifford funds, investing in securities directly or via external funds.

ESG Integration

Asset Manager ESG Integration

Baillie Gifford became a signatory to the UN Principles for Responsible Investment in 2007, currently having a firm-wide Investment & Stewardship Policy score of 4 out of 5. Baillie Gifford is also a signatory of the UK Stewardship Code and has joined several industry initiatives, including the Net Zero Asset Managers Initiative. At a business level they are committed to double carbon offsetting their own emissions through tree planting. They have also appointed an Environment Officer who is tasked with driving the businesses' own sustainability practices.

Baillie Gifford expect ESG to be of great importance to how they operate in the coming years, however they are not underestimating the increased complexity of the area from both a regulatory, and client preferences, perspective. They therefore look to integrate ESG in a thoughtful way as they believe it deepens company insights and can therefore improve investment returns. They also try to target the most relevant ESG factors at an individual company level.

Over recent years, Baillie Gifford has built a vast team of almost 50 individuals dedicated to ESG and sustainability. Over half of these are ESG Research and Engagement analysts who are embedded into the different investment teams and provide ESG input at a strategy level. The next biggest cohort are the ESG Services team who undertake pre-AGM analysis, execute voting and assist with ESG data. The remainder are split across a climate team who assess the inter-relationships between climate change and businesses, and a small client team. The majority of these recent hires are fairly early in their careers.

Baillie Gifford doesn't provide separated ESG scores for the companies they research, instead the focus is on qualitative in-house ESG research. They will not necessarily look to disinvest from companies in problematic industries, rather they will keep companies on watch and look for improvement over time.

In the coming years, the business is hoping to enhance their client reporting around ESG and sustainability, as well as increase the number of explicitly ‘sustainable' funds within their product offering.

Fund ESG Integration

This fund does not have environmental, social and governance (ESG) considerations as a stated objective within its mandate, however these factors are considerations within the investment decision making process of the strategy.

The multi-asset team regularly produce a set of expected asset class returns. As part of this analysis they now actively consider the effects of climate-related scenarios on their return expectations, as they see this as a key risk both over the medium and long-term. Additionally, whilst asset allocation decisions will be a key driver of the fund's risk and return profile, underlying investment selection is also seen as important. Each security held within the fund will have been assessed with regards to a company's approach to governance and sustainability activities alongside traditional financial analysis. As this fund will utilise the wider resources of the firm, much of this work will be carried out by its dedicated investment teams. On a quarterly basis the team publish details of its voting and engagement activities for holdings over the period, thus keeping investors abreast of key developments and providing evidence of their commitment to providing strong ongoing stewardship of capital.

Risk Summary

The fund has a risk target to deliver an annualised volatility of less than 10% over rolling 5-year periods. The fund relies on the diversification of asset classes to deliver good risk-adjusted returns to investors. However, in periods of market stress or when correlations between asset classes rise, the benefits of diversification will be reduced. This fund will not be immune from capital drawdowns in such periods. The team at Baillie Gifford manage the fund with risk implicit in their investment process

Additional Information

Annualised Return: -2.34%	
Annualised Volatility: 7.73%	
Max Drawdown: -20.69%	
Max Gain: 6.19%	
Max Loss: -6.23%	
Sharpe Ratio: 0.00	
Sortino Ratio: -0.37	

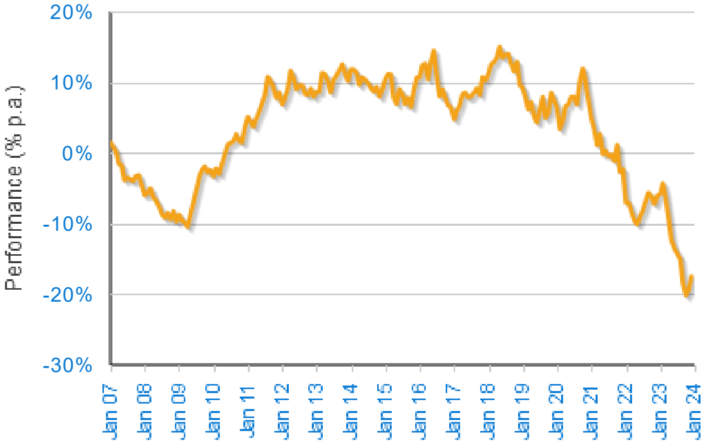
(3 years data to last month end unless otherwise stated)

Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk	●		
Interest Rate Risk		●	
Credit Risk	●		
Exchange Rate Risk		●	
Liquidity Risk		●	
Emerging Markets Risk	●		
Derivative Risk			●
Manager Risk		●	

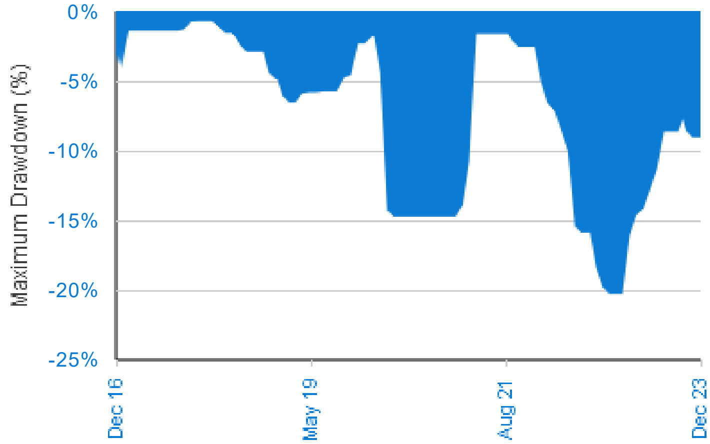
For the full summary of the risks, click here

3 Year Rolling Sector Outperformance



Source: Square Mile and Refinitiv, Data as at: 10th January 2024.
Share price total return.

Maximum Drawdown (Rolling 12 Months)



Source: Square Mile and Refinitiv, Data as at: 10th January 2024

Calendar Year Performance To Quarter End

Period	Fund (%)	Sector (%)
2023	-17.4	-2.3
2022	7.9	3.8
2021	3.0	2.9
2020	12.2	4.7
2019	-5.0	-2.7

Source: Square Mile and Refinitiv, Data as at: 28th November 2023

Value for Money

The ongoing charge figure (OCF) of this fund is well below the median for its peer group, however its transaction charges are high relative to the median fund. When we consider the total cost of investment (TCI) the fund is still competitive relative to its peers. Overall, we believe the fund offers value for money.

OCF v Peer Group

0.70%

Transaction Costs v Peer Group

0.50%

TCI v Peer Group

1.20%

Source: Square Mile and Refinitiv, Data as at: 30th November 2023.

Rating Changes

Rating Changes over last 12 months	Time & Date rating changed
A	21:04 / 02/07/2020
Suspended	09:41 / 10/07/2019

The Square Mile ratings are reviewed every 6 months. For full details on the methodologies, click here.

For a full list of all Square Mile rated funds, click here.